

GENERAL INFORMATION

MEMBERS OF THE EXECUTIVE COMMITTEE

Mayor	Councillor CG Swart
Deputy Mayor	Councillor CN Banda
Speaker	Councillor SS Masuku
Council Member	Councillor ME Mkhwanazi
Council Member	Councillor SS Zungu
Council Member	Councillor HG Mbele
Council Member	Councillor TT Maphango
Council Member	Councillor MM Davies
Council Member	Councillor JJ Combrink
Council Member	Councillor B Dos Santos

GRADING OF LOCAL AUTHORITY

Grade 2

AUDITORS

Auditor-General

BANKERS

First National Bank
Mtubatuba Branch

REGISTERED OFFICE

Mtubatuba Local Municipality	P.O. Box 52
Mtubatuba	Mtubatuba
3935	3935
Telephone Number: 035-550 0069	Fax: 035-550 0060
E-mail: cfo.mtuba@lanitic.net	

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1.1 Mayoral Foreword

2006/2007 financial year has been one of the years with challenges and new experiences that have tested the power of the rise above them. The municipality has experienced challenge relating to the recovery of outstanding debts, governance issues, administration, etc.

Also the municipality was expected to implement the Grop/Gamap accounting standards during the year under review. The successfully implemented these new accounting standards although in terms of the phasing in process the municipality was only required to comply in 2007/8 financial period.

In terms of appointment of the municipal manager the municipality was eventually able to appoint a skilful and experienced municipal manager and council is confident that the new municipal manager will implement all the policies adopted by council. We trust also that the new municipal manager will also ensure and observe the implementation of relevant new legislations, like the Supply Chain Management and others.

Lastly I would like to thank the new Municipal Manager with the presentation of the first annual report of the municipality. Also thank all staff involved in the process of providing information.

CLIR CG SWARTZ
MAYOR

1.2 Accounting Officer's Report

Mtubatuba Municipality got its Municipal Manager(Accounting Officer) appointed in the last four months into the end of the 2006/2007 financial year. This was after the Council together with Management that was there had worked hard to ensure that the acceptable quality life of the community of Mtubatuba Municipality is maintained.

The challenges that were identified after doing the SWOT Analysis of the organization required the restructuring of the departments, motivation of staff to deliver, training of staff and councillors, development of strategies and policies that would enable the organization to move towards the right direction, the strict implementation of the budget to ensure that all capital projects were implemented as listed in the municipality's IDP, and the changing the attitude of the public about the municipality from negative to positive.

This is the financial year where its last part was mostly used to ensure that the following one would devise means of ensuring that the Auditor General's Report outcome on the Municipality would be unqualified one, moving from the qualified status.

Dr. EMS Ntombela
Accounting Officer

1.3 Overview of Municipality / Municipal Profile

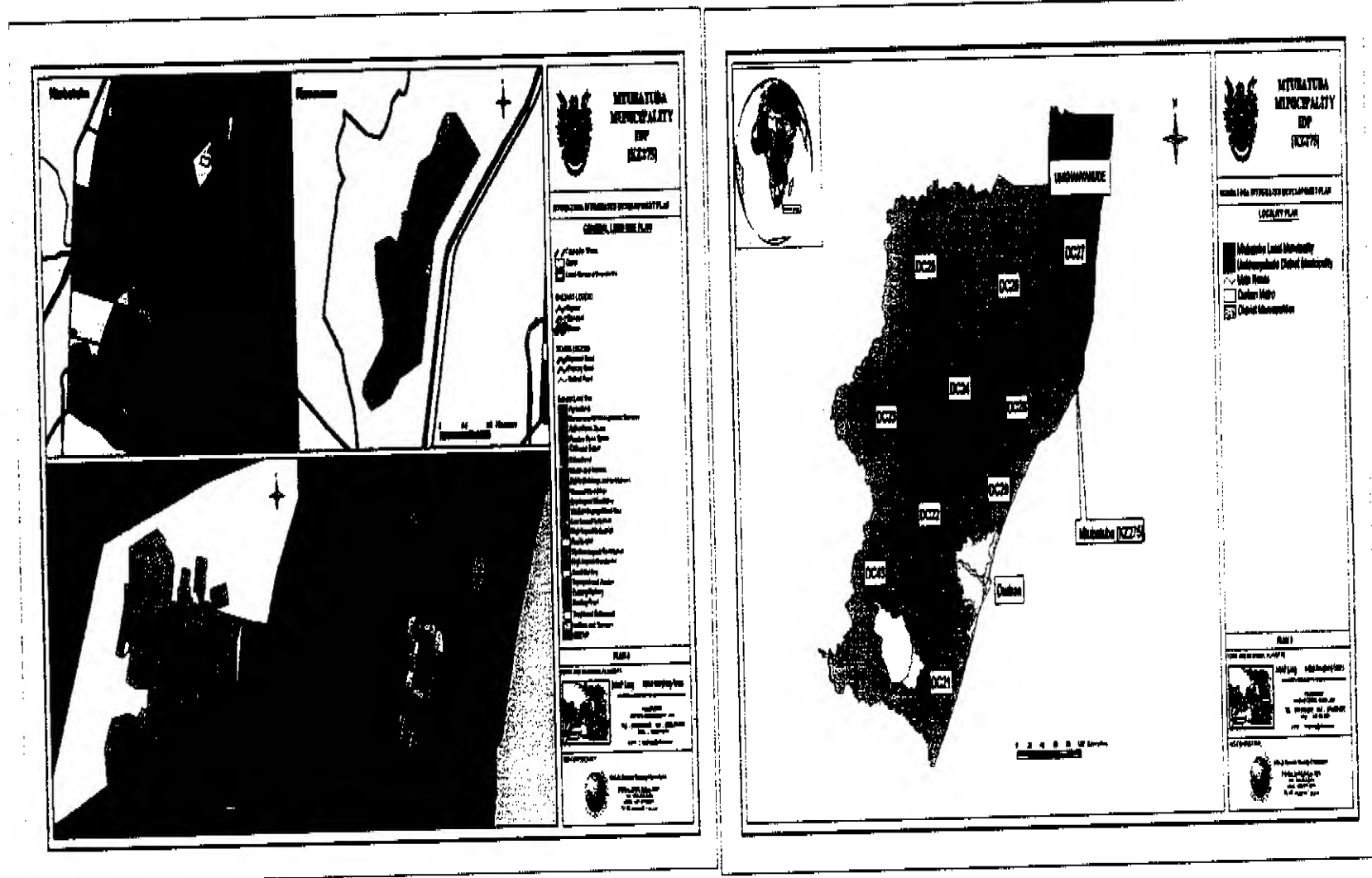
1.3.1 Key Features

While Mtubatuba Municipality is located in relative close proximity of major urban and economic developments, it has remained substantially underdeveloped and poverty stricken. However the Municipality has some unique features which could be explored for economic growth.

- Location in close proximity to major urban and economic developments namely the Richardsbay, Empangeni, etc.
- Located within the tourist destinations, namely St Lucia and Kosi Bay.
- Route to Johannesburg
- High agricultural potential

1.3.2

Geographical Area/Maps

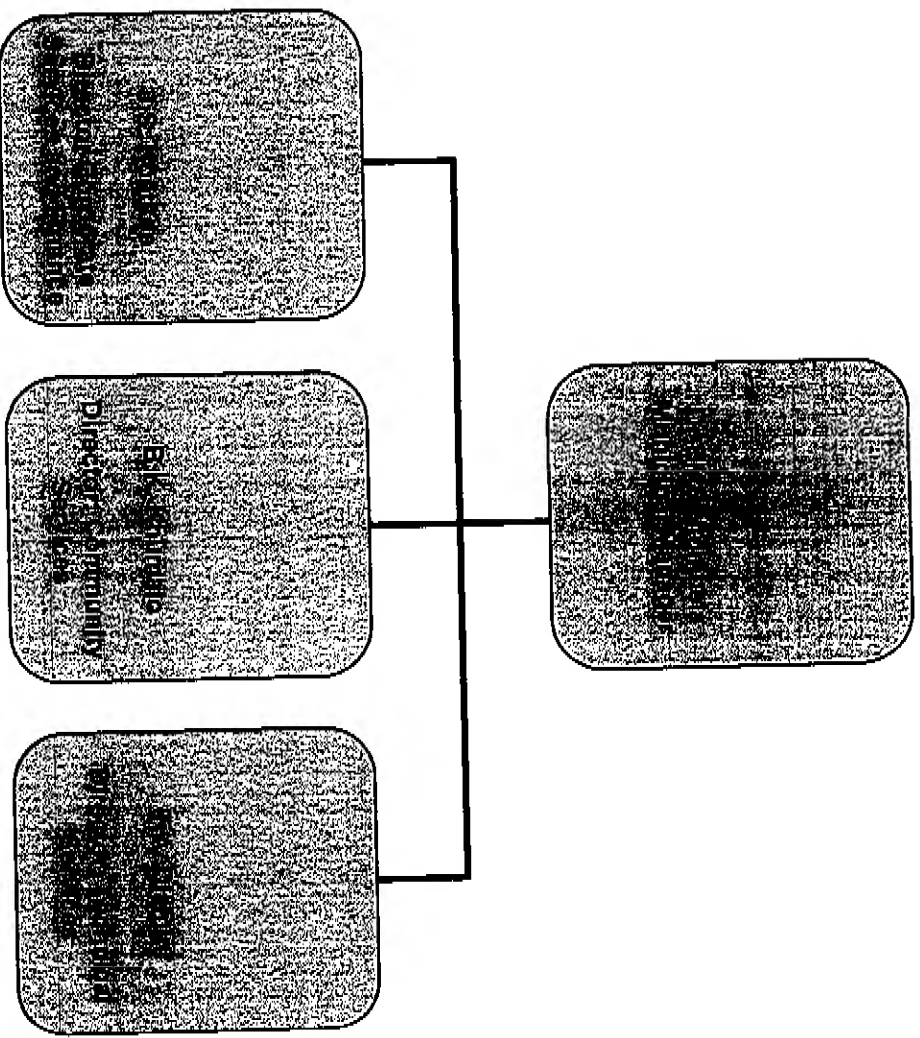


1.3.3 Demographics

Extent of the Mtubatuba Municipal area (square kilometres)		
Population (Statistics SA 2001)	35 210	
Population Group (%)		
Black African	30 633	87%
Coloured	1056	3%
Indian	704	2%
White	2817	8%
Other	0	0%
Male Population (%)	16 645	47%
Female Population (%)	18 565	53%
Total Number of Voters as per 2006 IEC information		
Municipal Age profile	0 to 4 5 to 14 15 to 34 34 to 64 Over 65	11% 24% 41% 23% 3%
Dependency Ratio (No. of people dependent on economically active group)		37%
HIV/AIDS status (% infected across District as per KZN Dept. of Health Statistics)	Across District	
Total Labour Force	22 110	100%
Employed	8 472	38%
Unemployment (out of labour force)	6 759	31%
Income Levels (%) R0/HH	6 879	31%
R1 – R801/HH	6 483	30%
R801 – R1 600/HH	1 431	6%
Over R1 601/hh	14 196	64%
Number of Municipal Wards	5	
Number of Councillors	10	
Number of Traditional Authority Areas	2	

Source: 2006 Mtubatuba Integrated Development Plan

1.3.4 Management Structure



1.3.5 Council Profile

Name	Position	Ward	Party
Cllr. C.G. Swartz	His Worship the Mayor EXCO & Finance Chairperson	5	IFP
Cllr. C.N. Banda	Deputy Mayor Planning & Technical Services Chairperson	1	IFP
Cllr. S.S. Masuku	Speaker Corporate Services Portfolio Chairperson Rules of Orders Committee Chairperson	1	IFP
Cllr. M.E. Mkhwanazi	Councillor Community Services Portfolio Chairperson	1	IFP
Cllr. S.S. Zungu	Councillor	3	ANC
Cllr. H.G. Mbele	Councillor	2	IFP
Cllr. T.I. Maphanga	Councillor LED/Tourism Services Portfolio Chairperson	4	IFP
Cllr. M.M. Davies	Councillor	5	ANC
Cllr. J.J. Combrick	Councillor	4	ANC
Cllr. B. Dos Santos	Councillor	5	ANC

Source: Council Listing

1.4 EXECUTIVE SUMMARY

1.4.1 Our Vision

"Mubabuba – With its people, For its People – A Vibrant Prosperous Eco-Tourist and Development Heartland of Umkhanyakude, KwaZulu – Natal"

1.4.2 Our Mission

"Our mission is to promote a quality and sustainable delivery of municipal services by:

- Involving communities in the development process;
- Forging strategic alliances and partnerships between the municipality and government departments, NGOs, CBOs, Private Sector to ensure speedy and co-ordinated delivery"

1.4.3

Strategic Objectives

In preparation of the 2006/2007 Integrated Development Plan, the members of the representative forum agreed on six key strategic focus points. The municipal strategic focal areas are:

- Local economic development
- Environmental protection and enhancement
- Community welfare and protection
- Physical infrastructure and services
- Spatial coherence and optimum location advantage
- Achieving efficient municipal, institutional, administrative and financial capacity.

The focus areas of the municipality are identified as those which would most meaningfully contribute to the upliftment of the quality of life of all the communities living in the municipal area and bring relief to the plight and suffering of disadvantaged communities.

1.4.4 Municipal Financial & Administrative Condition

The municipality has limited financial resources to deliver services in terms of its powers and functions, hence it is also dependant on the grant funding from both National and Provincial departments, although the equitable share is of low value. The Municipality is currently engaged in various projects that will enhance revenue streams into the municipal coffers.

The municipality is currently implementing the following projects:

- Recovery of outstanding debts
- Implementation of the Municipal Property Rates Act,

The full scale implementation of the Municipal Property Rates Act will ensure that the municipality has at least a reasonable amount of income other than from grants and subsidies. This will enable the municipality to provide the most basic services and will create some sort of independence.

2.1 Functions Performed

The municipality performed several functions, i.e Infrastructure Services which includes the construction of **roads, sports fields, multi purpose centres, library** etc. The roads, library and sports fields were funded by a Municipal Infrastructure grant, Provincial Arts and culture department, National lottery and Provincial department of arts and culture respectively.

The municipality had some challenges and they resulted in non-completion of all projects planned for 2006/2007 financial year. Although the municipality is not mandated to perform water, electricity and housing functions, it may be report the following.

2.1.1 Performance per functions

Service	Planned	Completed	Performance
Electricity	100%	100%	100%
Water	100%	100%	100%
Roads	100%	100%	100%
Sports fields	100%	100%	100%
Library	100%	100%	100%

The Municipality has during the financial year signed a memorandum of understanding on shared services for the implementation of Municipal Property Rates Act with other local municipalities within the District.

2.1.2 Revenue Collection Performance

This financial period the municipality has managed to implement the recovery policies and collected quite and acceptable level of outstanding debts.

2.2 Backlogs in service delivery

2.2.1 Water and sanitation

In terms of the figures provided by Department of Water and Forestry DWAF (2004) water backlogs in Mtubatuba stand at 28%.

Total No. of households	Households with access to water	Households without access to water	Water backlog percentage
10,876	7,836	3,040	28%

DWAF figures (2004) and Stats SA indicate that there is a backlog of 28% terms of sanitation in the Mtubatuba Municipality.

Total No. of households	Households with access to sanitation	Households without access to sanitation	Sanitation backlog percentage
10,876	7,836	3,040	28%

2.2.2 Electricity

Current backlogs according to Stats SA statistics(2001)

Total No. of households	Households with access to electricity	Households without access to electricity	Electricity backlog percentage
10,876	7,836	3,040	28%

2.2.3 Refuse removal

There are major backlogs of about 75% in terms of refuse removal in the Mtubatuba Municipality. There is a lack of a more organized waste management system.

2.2.4 Roads

There are 46 303km municipal roads within the municipal area and are generally in very bad condition. Moreover a major constraint to upgrading these roads is limited resources in terms of funding and technical skills.

GOVERNMENT OF KENYA
MINISTRY OF LANDS AND PHYSICAL PLANNING
OFFICE OF THE SECRETARY

3.1 Municipal Challenges

The municipality had various challenges during the year under review and these challenges were ranging from the administrative, governance and financial management.

3.1.1 Lack of Skills

Over the past years the municipality has had difficulties in terms attracting skills to the municipality. This is as a result of the salary packages that are offered to the employees especially the section 57 employees. The municipality was also unable to retain some of the skills due to the already stated reasons.

3.1.2 Batho Pele

Although the municipality subscribes to the principles of Batho Pele, these principles need to be given more attention to bring awareness to both community and the employees.

3.1.3 Performance Management System

The municipality did not implement the performance management system during the year under review. The management will have to ensure that the PMS is implemented in 2007/2008 financial year. The management will however report progress made by each department head and payment of bonuses will be based on these deliverable/achievements.

3.2 Staffing

3.2.1 Number of staff per function

Functional Area	Total Posts	Filled Posts	Vacant Posts	Frozen Posts
Municipal Manager	3	3	Nil	Nil
Finance Services	13	8	1	4
Corporate Services	8	4	2	1
Technical Services	47	38	1	8
Community Services	98	75	11	12
Total	169	129	15	25

3.2.2 Trends on expenditure of salary (last 3 years)

DEPARTMENTS	2004/2005			2005/2006		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
Municipal Manager	264,201	189,585	96,616			
Finance Services	264,976	85,394	183,592			
Corporate Services	0	0	0			
Technical Services	0	0	0			
Community Services	223,358	290,472	-67,114			

3.2.3 Amount owed by Councillors, staff, etc.

During the 2006/2007 financial year section 57 employees and councillors did not owe the municipality.

3.2.4 Disclosure Concerning Councillors, Directors and other Senior Officials – 01 July 2006 to 30 June 2007.

Details	Salaries & Wages			Contributions		Allowances	Housing	Total costs
	Normal	Overtime	Performance Bonuses	UIF, fund, Medical Aids	Pension and account	Travel, motor car, subsistence and other allowances	Housing benefits and allowances	
Employee related costs								
Employee related costs	8,194,052	956,752	-	1,410,162		1,169,184	16,342	11,746,492
Remuneration of the Municipal Manager								
Annual Remuneration	166,104	-	-	-	-	-	-	166,104
Remuneration of the Manager Financial Corporate Services								
Annual Remuneration	385,600	-	-	-	-	-	-	385,600
Remuneration of the Manager Community Services								
Annual remuneration and Performance Bonuses	360,889	-	24,142	-	-	-	-	385,031
Remuneration of the Manager Technical Services								
Annual Remuneration	127,827	-	-	-	-	-	-	127,827

REPUBLIC OF SOUTH AFRICA
MINISTER OF FINANCE
GENERAL AND FINANCIAL SERVICES DIVISION

MTUBATUBA MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2007

	Note	2007 R	2006 R
NET ASSETS AND LIABILITIES			
Net Assets		29,793,415	30,016
Housing Development Fund	1	513,934	517,778
Capital Replacement Reserve		56,416	536
Capitalisation Reserve		18,369,966	-
Government Grant Reserve		1,306,979	-
Revaluation Reserve		-	-
Accumulated Surplus/ (Deficit)		9,547,130	9,702
Non-current Liabilities		439,569	6,354
Long-term Liabilities	2	439,569	6,354
Non-current Provisions		-	-
Current Liabilities		7,488,103	9,128
Provisions	3.1	135,345	-
Creditors	3	3,216,889	5,801
Unspent Conditional Grants and Receipts	4	4,082,597	462
VAT		-	-
Bank Overdraft		-	-
Current Portion of Long-term Liabilities	2	53,272	14,865
Total Net Assets and Liabilities		37,721,067	36,498
ASSETS			
Non-current assets		19,676,935	16,423
Property, Plant and Equipment	6	19,676,935	16,609
Investment Property		-	-
Investments		-	-
Long-term Receivables		-	457,814
Current Assets		18,044,152	13,777,075
Consumer Debtors	8	8,330,743	726,484
VAT	5	1,884,150	-
Other Debtors	9	479,995	342,841
Call Investments/Deposits	7	5,865,190	53,975
Bank Balances and Cash	10	1,484,074	143,775
Total Assets		37,721,067	36,498

MTUBATUBA MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2007

BUDGET		ACTUAL	
	2007		2007
	R		R
REVENUE	8,594,538	11	8,434,329
	1,749,760	12	1,737,752
	6,918,528		6,918,528
	306,000		-
	151,586		568,766
	4,473,000	14	5,260,217
22,192,412 TOTAL REVENUE			22,919,592
EXPENDITURE			
10,861,790	15	10,271,079	
1,564,250	17	1,475,413	
-		-	
6,308,795	19	5,656,669	
1,540,000		1,239,987	
296,855	18	46,610	
538,382	19	304,625	
254,168		254,168	
-		-	
805,000		500,000	
22,169,240 GROSS EXPENDITURE			19,747,551
22,169,240 NET EXPENSES			19,747,551
NET SURPLUS/ (DEBIT) FOR THE			
23,172 YEAR			3,172,041

MTUBATUBA MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2007

	Pre-GAMAP Reserves and Funds	Capital Replacement Reserve	Housing Development Fund	Capitalisation Reserve	Government Grants Reserve	Revaluation Reserve	Accumulated Surplus/ (Deficit)	TOTAL
	R	R	R	R	R	R	R	R
2007								
Balance at 1 July 2006	50,763,492						689,702	51,453,194
Implementation GAMAP (Note 26)	-50,763,492		513,934	18,325,424				-31,924,134
Change in Accounting Policy (Note 26)								-
Restated Balance	-	-	513,934	18,325,424	-	-	689,702	19,529,060
Net Surplus (Deficit) for the year							3,172,041	3,172,041
Transfer to ORR		55,416					-55,416	-
Property, Plant and Equipment Purchased.				44,532			-44,532	-
Capital Grants used to Purchase PPE					1,306,979		-1,306,979	-
Off - setting of Depreciation							7,092,314	7,092,314
Other Appropriations								
Balance: 30 June 2007	-	55,416	513,934	18,369,956	1,306,979	-	9,547,130	29,793,415

MTUBATUBA MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	<u>2007</u>	
	<u>R</u>	
Cash receipts from ratepayers, government and other	39,066,576	
Cash paid to suppliers and employees	-39,734,601	
Cash generated from operations	-668,023	
Interest received	552,249	
Interest Paid	-46,610	
Net cash from operating activities	<u>-162,384</u>	20
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-1,351,511	
(Increase)/Decrease in Investments	-3,301,215	
Assets written back	-	
(Increase)/Decrease in current portion of non-current loans	-8,407	
(Increase)/Decrease in non-current loans		
Net Cash from investing activities	<u>-4,661,133</u>	
CASH FLOW FROM FINANCING ACTIVITIES		
New Loans Raised (Repaid)	213,215	
Increase in deposits	50,600	
Other capital receipts	-	
Net cash from financing activities	<u>263,815</u>	
Net increase/ (Decrease) in cash and cash equivalents	<u>-4,559,702</u>	21
Cash and Cash equivalents at the beginning of the year	6,043,776	
Cash and Cash equivalents at the end of the year	<u>1,484,074</u>	10

MTUBATUBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

2007
R

1 HOUSING DEVELOPMENT FUND

Housing Development Fund

513,934

Receipts for Loans extinguished by Government

513,934

on 1 April 1998

The Housing Development Fund is represented by the following assets and liabilities.

Bank And Cash

513,934

Total Housing Development Fund Assets and Liabilities513,934**2 LONG TERM LIABILITIES**

Annuity loans

0

less: Current portion transferred to current liabilities-53,272**TOTAL EXTERNAL LOANS**-53,272

Refer to Appendix A for more detail on long term liabilities

3 CREDITORS

Trade creditors

22,255

Hall Hire Deposits

46,253

Dukuduku Low Cost Housing

626,123

Mtubatuba Low Cost Housing

449,880

Payment received in advance

851,540

Councillor Allowance Back Pay

6,478

Life Savers

1,116

VAT

0

Staff Leave

1,213,244

Other creditors

0

TOTAL CREDITORS3,216,889**3.1 PROVISION**

Performance Bonus

135,345

Performance bonuses accrue to Section 56 and Section 57 employees on a yearly basis according certain conditions of there contracts. The provision is an estimate of the amount due to staff at the yearend.

MTUBATUBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	<u>2007</u>	
	<u>R</u>	
4 GOVERNMENT GRANTS AND SUBSIDIES		
Disaster Claim Low Cost Housing	150,000	
M A P Control	206,996	
I O P Review	155,479	
P M S	265,000	
Indigent Support	35,730	
Lums	300,000	
G I S	70,000	
Integrated Systems	-	
Finance Management Grant	948,022	
D C 27 Grant	30,000	
Unidentified Grants	-	
Library Service Fund	646,255	
Kwamsane Library Grant	6,916	
E - Learning	150,000	
Property Rates Act	154,153	
Inter Dept Monitoring	60,000	
M F M A	245,000	
Int Departmental Monitoring	184,000	
Comm / L E D Outreach Fund	-	
Cultural Centre Grant	21,442	
Umkhanyakude Grant	453,605	
TOTAL UNSPENT CONDITIONAL GRANTS AND RECEIPTS	<u><u>4,082,597</u></u>	
5 VAT		
VAT (payable)/claimable	<u><u>1,884,150</u></u>	
VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS		

MTUBATUBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

6. PROPERTY PLANT AND EQUIPMENT

30-Jun-07	Land and Buildings R	Infra-structure R	Community R	Heritage R	Other R
Carrying values at 1 July 2006	17,448,500	-	-	875,001	1,923
Balance adjustment	-	-	-	-	-
Cost	17,448,500	-	-	875,001	1,923
Correction of error	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
- Cost	-	-	-	-	-
Acquisitions	-	-	1,306,979	-	44,532
Depreciation	-	-	-	-	-
- based on cost	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-
- Cost/revaluation	-	-	-	-	-
- Accumulated depreciation	-	-	-	-	-
Carry values at 30 June 2007	17,448,500	-	1,306,979	875,001	46,455
Cost	17,448,500	-	1,306,979	875,001	46,455
Accumulated depreciation	-	-	-	-	-
- Cost	-	-	-	-	-
30-Jun-06					
Reconciliation of Carrying Value	Land and Buildings R	Infra-structure R	Community R	Heritage R	Other R
Carrying values at 1 July 2005	-	-	-	-	-
Balance adjustment	-	-	-	-	-
Cost	-	-	-	-	-
Correction of error	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
- Cost	-	-	-	-	-
Acquisitions	-	-	-	-	-
Depreciation	-	-	-	-	-
- based on cost	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-
- Cost/revaluation	-	-	-	-	-
- Accumulated depreciation	-	-	-	-	-
Carry values at 30 June 2006	-	-	-	-	-
Cost	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
- Cost	-	-	-	-	-

MTUBATUBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

7 CALL INVESTMENTS DEPOSITS

Deposits	R	2007
Less: Provision for doubtful investment	5,865,190	
TOTAL INVESTMENTS	0	5,865,190
Allocation of external investments		
In terms of legislation, surplus cash is invested until used for specific purposes.		
Investments are allocated on the following basis:		
Capital Replacement Reserve	55,415	
Housing Development Account	513,934	
Reserve Funds	1,213,244	
Capital Grants	4,082,567	
General Fund	0	
TOTAL INVESTMENTS	5,865,160	

8 CONSUMER DEBTORS

	<u>Gross</u>	<u>Provision</u>	<u>Net Balance</u>
	<u>Balances</u>	<u>for Bad Debts</u>	
As at 30 June 2007			
Service debtors			
Rates	15,378,421	8,981,309	6,397,112
Refuse	2,233,810	1,304,590	929,220
Special Rating Area	367,500	214,628	152,872
Sundries	0	0	0
VAT	0	0	0
TOTAL	17,979,731	10,500,527	7,479,204
As at 30 June 2006			
Rates	13,270,243	8,587,197	
Refuse	1,918,194	1,241,267	
Special Rating Area	0	0	
Sundries	1,038,574	672,063	
VAT	0	0	
TOTAL	16,227,011	10,500,527	
Rates ; Ageing			
Current (0 - 30 days)			
31 - 60 days		-394,611	
61 - 90 days		0	
91 - 120 days		412,682	
Over 120 days		341,727	
TOTAL		15,018,623	
Refuse; Ageing			
Current (0 - 30 days)			
31 - 60 days		-207,871	
61 - 90 days		83,067	
91 - 120 days		69,720	
Over 120 days		68,072	
TOTAL		2,220,822	
TOTAL		2,233,810	

MTUBATUBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

Special Rating Area : Ageing	R
Current (0 - 30 days)	102,990
31 - 60 days	27,596
61 - 90 days	23,771
91 - 120 days	19,640
Over 120 days	193,503
TOTAL	367,500

Summary of Debtors by Customer Classification

	Residential	Industrial / Commercial	National and Provincial Government
As at 30 June 2007	-	-	-
Current (0 - 30 days)	-	-	28,200
31 - 60 days	-	-	28,200
61 - 90 days	-	-	28,200
91 - 120 days	-	-	28,200
121 - 150 days	-	-	1,195,780
151 - 180 days	-	-	1,308,580
Sub - total	-	-	-
Less: Provision for bad debts	-	-	1,308,580
Total debtors by customer classification	-	-	-

Summary of Debtors by Customer Classification

	Residential	Commercial	Provincial Government	
Current (0 - 30 days)	0	0	0	0
31 - 60 days	0	0	0	0
61 - 90 days	0	0	0	0
91 - 120 days	0	0	0	0
Over 120 days	0	0	0	0
Sub - total	0	0		0
Less: Provision for bad debts				
Total debtors by customer classification	0	0		0

9 OTHER DEBITORS

Other Debtors	-
ESKOM Deposit	12,422
ESKOM Deposit Contra Investment	191,600
Vaalstria SS Fault Deposit	2,000
Sundry Debtors Wetlands Park	10,000
Sundry Debtors Unreconciled	-
Habisa Sundry	-
Unkhanyakude Transfer	-
Sundry Debtor DB SA Loan	263,973
TOTAL OTHER DEBTORS	479,995

MTUBATUBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

10 BANK CASH AND OVERDRAFT BALANCES

The Municipality has the following bank accounts:-

Current Account (Primary Bank Account)

	2007	2006
	R	R

First National Bank - Mtubatuba

Account Number: 53093735184

Cash book balance at beginning of year

Cash book balance at end of year

Bank statement balance at beginning of year

Bank statement balance at end of year

Current Account (Mtubatuba Low Cost Housing)

First National Bank - Mtubatuba

Account Number: 62050462606

Cash book balance at beginning of year

Cash book balance at end of year

Bank statement balance at beginning of year

Bank statement balance at end of year

Current Account (Dukuduku Low Cost Housing)

First National Bank - Mtubatuba

Account Number: 62050465858

Cash book balance at beginning of year

Cash book balance at end of year

Bank statement balance at beginning of year

Bank statement balance at end of year

PETTY CASH

Balance at beginning of year

Balance at end of year

TOTAL CASH AND CASH EQUIVALENTS

11 ASSESSMENT RATES

Actual

Residential

Commercial

State

TOTAL ASSESSMENT RATES

Valuation

Non-rateable

Residential

Commercial

State

Municipal

TOTAL PROPERTY VALUATIONS

Valuations on Land and Buildings are performed every four years. The last valuation came into effect on 1 July 1997. Intern valuations are processed on a regular basis.

	5,588,935	2,907,869
	<u>407,071</u>	<u>5,988,935</u>
	5,806,861	3,764,169
	<u>1,128,462</u>	<u>5,806,861</u>
	304,666	483,830
	<u>449,880</u>	<u>304,666</u>
	304,666	483,830
	<u>449,880</u>	<u>304,666</u>
	148,675	373,561
	<u>626,123</u>	<u>148,675</u>
	148,675	373,561
	<u>626,123</u>	<u>148,675</u>
	1,500	1,500
	1,000	1,500
	<u>1,484,074</u>	<u>6,043,776</u>

	R000's	R000's
	8,434,329	7,213,155

	145,930,400	145,930,400
--	-------------	-------------

MTUBATUBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
12 SERVICE CHARGES		
Refuse Removal	1,737,752	1,592,113
Amortised cost adjustment		
TOTAL SERVICE CHARGES	<u>1,737,752</u>	<u>1,592,113</u>
13 GOVERNMENT GRANTS AND SUBSIDIES		
Disaster Claim Low Cost Housing	150,000	150,000
M.A.P Control	206,996	206,996
I.D.P Review	155,479	155,4107
P.M.S	265,000	265,000
Indigent Support	35,730	35,730
Lums	300,000	300,000
G.I.S	70,000	70,000
Integrated Systems	-	54,517
Finance Management Grant	948,022	1,081,022
D.C27 Grant	30,000	60,000
Unidentified Grants	-	254,000
Library Service Fund	646,255	7,084,620
Kwansame Library Grant	6,916	6,916
E-Learning	150,000	150,000
Property Rates Ad	154,153	63,125
Inter Dept Monitoring	60,000	60,000
M.F.M.A	245,000	245,000
Int Departmental Monitoring	184,000	184,000
Comm / L.E.D Outreach Fund	-	1527,700
Cultural Centre Grant	21,442	48,162
Unithanyakude Grant	453,605	453,604
TOTAL GOVERNMENT GRANT AND SUBSIDIES	<u>4,082,597</u>	<u>10,057,462</u>
13.1 EQUITABLE SHARE		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
13.2 DISASTER CLAIM LOW COST HOUSING		
Balance unspent at beginning of year	150,000	-
Current year receipts	-	-
Conditions met transferred to revenue	-	-
CONDITIONS STILL TO BE MET	<u>150,000</u>	<u>150,000</u>
Grants be given by government for damage on crops.		
13.3 MAP CONTROL		
Balance unspent at beginning of year	556,959	-
Current year receipts	-	-
Corrections	220,865	-
Conditions met Transferred to Revenue	-570,828	-
CONDITIONS STILL TO BE MET	<u>206,996</u>	<u>656,959</u>

Provincial grants to assist certain municipalities to comply with issues regarding legislation and financial matters. Grants is spent accordance with a business plan approved by the Provincial Government. Other than the spent amount, the conditions of the grant have been met. No funds have been withheld.

M TUEBUTUBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	<u>2007</u> R	<u>2006</u> R
13.4 IDP REVIEW		
Balance spent at beginning of year	330,107	-
Current year receipts	-	-
Corrections	29,976	-
Conditions met transferred to revenue	-204,604	-
CONDITIONS STILL TO BE MET	<u>155,479</u>	<u>30,107</u>
13.5 PMS GRANT		
Balance spent at beginning of year	265,000	-
Current year receipts	-	-
Conditions met Transferred to Revenue	-	-
CONDITIONS STILL TO BE MET	<u>265,000</u>	<u>25,000</u>
13.6 INDIGENT SUPPORT GRANT		
Balance unspent at beginning of year	35,730	-
Current year receipts	-	-
Conditions met transferred to revenue	-	-
CONDITIONS STILL TO BE MET	<u>35,730</u>	<u>35,730</u>
13.7 LUMS GRANT		
Balance unspent at beginning of year	300,000	-
Current year receipts	-	-
Conditions met transferred to revenue	-	-
CONDITIONS STILL TO BE MET	<u>300,000</u>	<u>300,000</u>
13.8 GIS GRANT		
Balance unspent at beginning of year	70,000	-
Current year receipts	-	-
Conditions met transferred to revenue	-	-
CONDITIONS STILL TO BE MET	<u>70,000</u>	<u>70,000</u>
13.9 INTEGRATED SYSTEMS GRANT		
Balance unspent at beginning of year	34,517	-
Current year receipts	-	-
Corrections	35,249	-
Conditions met transferred to revenue	-69,766	-
CONDITIONS STILL TO BE MET	<u>-</u>	<u>34,517</u>
13.1 FINANCE MANAGEMENT GRANT		
Balance unspent at beginning of year	198,022	-
Current year receipts	500,000	-
Corrections	250,000	-
Conditions met transferred to revenue	-	-
CONDITIONS STILL TO BE MET	<u>948,022</u>	<u>198,022</u>
13.11 DC27 GRANT		
Balance unspent at beginning of year	30,000	-
Current year receipts	-	-
Conditions met transferred to revenue	-	-
CONDITIONS STILL TO BE MET	<u>30,000</u>	<u>30,000</u>

M TUBATUBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
13.12 UNIDENTIFIED GRANTS		
Balance unspent at beginning of year	R 250,000	-
Current year receipts	-	-
Corrections	-250,000	-
Conditions met transferred to revenue	-	-
CONDITIONS STILL TO BE MET	-	10,000
13.13 LIBRARY SERVICE GRANT		
Balance unspent at beginning of year	1,098,620	-
Current year receipts	1,031,449	-
Corrections	306,068	-
Conditions met transferred to revenue	-1,781,882	-
CONDITIONS STILL TO BE MET	644,255	6,620
13.14 KAWASANE LIBRARY GRANT		
Balance unspent at beginning of year	6,916	-
Current year receipts	-	-
Conditions met transferred to revenue	-	-
CONDITIONS STILL TO BE MET	6,916	6,916
13.15 E-LEARNING GRANT		
Balance unspent at beginning of year	150,000	-
Current year receipts	-	-
Conditions met transferred to revenue	-	-
CONDITIONS STILL TO BE MET	150,000	150,000
13.16 PROPERTY RATES ACT GRANT		
Balance unspent at beginning of year	63,125	-
Corrections	1,256	-
Current year receipts	100,000	-
Conditions met transferred to revenue	-10,228	-
CONDITIONS STILL TO BE MET	154,153	63,125
13.17 INTER-DEPARTMENTAL MONITORING GRANT		
Balance unspent at beginning of year	60,000	-
Current year receipts	-	-
Conditions met transferred to revenue	-	-
CONDITIONS STILL TO BE MET	60,000	60,000
13.18 M F M A GRANT		
Balance unspent at beginning of year	245,000	-
Current year receipts	-	-
Conditions met transferred to revenue	-	-
CONDITIONS STILL TO BE MET	245,000	245,000
13.19 INTER-DEPARTMENTAL MONITORING GRANT		
Balance unspent at beginning of year	184,000	-
Current year receipts	-	-
Conditions met transferred to revenue	-	-
CONDITIONS STILL TO BE MET	184,000	184,000

MTUBATUBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	<u>2007</u> R	<u>2006</u> R
13.20 COMM/LED OUTREACH FUND		
Balance unspent at beginning of year	527,700	-
Current year receipts	-	-
Conditions met transferred to revenue	-527,700	-
CONDITIONS STILL TO BE MET	-	<u>527,700</u>
13.21 CULTURAL CENTRE GRANT		
Balance unspent at beginning of year	58,162	-
Current year receipts	-	-
Conditions met transferred to revenue	-36,720	-
CONDITIONS STILL TO BE MET	<u>21,442</u>	<u>58,162</u>
13.22 UM-HANYAYAUDE WATER PLAN GRANT		
Balance unspent at beginning of year	453,604	-
Current year receipts	-	-
Conditions met transferred to revenue	-	-
CONDITIONS STILL TO BE MET	<u>453,604</u>	<u>453,604</u>
14 OTHER INCOME		
Other Income	5,260,217	5,978,808
TOTAL OTHER INCOME	<u>5,260,217</u>	<u>5,978,808</u>
15 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and wages	8,194,052	9,433,988
Employee related costs - Contr. for UIF, pens and medical aids	1,410,162	-
Travel, motor car, accomm., subsistence and other allowances	1,189,184	-
Housing benefits and allowances	16,342	-
Overtime payments	956,752	-
Performance bonus	-	-
Long-service awards	-	-
Less: Employee costs unauthorized to Property, Plant and Equip.	-	-
Less: Employee costs include in other expenses	-	-
TOTAL EMPLOYEE RELATED COSTS	<u>11,746,492</u>	<u>9,433,988</u>
16 REMUNERATION OF THE MUNICIPAL MANAGER		
Annual Remuneration	166,104	188,565
Performance Bonuses	-	-
TOTAL	<u>166,104</u>	<u>188,565</u>
16.1 REMUNERATION OF THE MANAGER FINANCIAL CORPORATE SERVICES		
Annual Remuneration	385,600	85,384
Performance Bonuses	-	-
TOTAL	<u>385,600</u>	<u>85,384</u>
16.2 REMUNERATION OF THE MANAGER COMMUNITY SERVICES		
Annual Remuneration	360,889	290,472
Performance Bonuses	24,142	-
TOTAL	<u>385,031</u>	<u>290,472</u>

MUTUBATUBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
16.3 REMUNERATION OF THE MANAGER TECHNICAL SERVICES		
Annual Remuneration	R 127,827	-
Performance Bonuses	-	-
TOTAL	127,827	-
17 REMUNERATION OF COUNCILLORS		
Mayor	220,589	133,485
Deputy Mayor	178,056	99,470
Speaker	178,056	112,719
Executive Committee Members	166,702	111,878
Councillors	732,010	504,496
TOTAL COUNCILLORS REMUNERATION	1,475,413	762,048
In-kind Benefits		
The Mayor is provided with an office and Secretarial support at the cost of Council		
18 INTEREST PAID	46,610	61,437
Long - term liabilities	-	-
Bank overdrafts	46,610	61,437
TOTAL INTEREST ON EXTERNAL BORROWINGS	46,610	61,437
19 GENERAL EXPENDITURE		
General expenses - other: as per appendix E(1)	5,960,294	-
Contracted services: as per appendix E(1)	-	-
Subsidiary	5,960,294	-
Less Contributions as per Statement of Financial Performance	-	-
General expenses as per Statement of Financial Performance	5,960,294	-
20 CASH GENERATED BY OPERATIONS		
Net surplus (deficit) for the year	3,172,041	2,623,921
Adjustments for:		
Offsetting of Depreciation	-	-
Capital Adjustment OFR	-55,416	-
Capital from OFR	44,532	-
Capital Grants used to purchase PPE	-1,306,979	-
Other appropriations	9,588,635	7,271,249
Interest Received	-552,249	-
Interest Paid	46,610	-
Operating surplus before working capital changes	10,900,564	9,796,170
(Increase)/Decrease in debtors	3,258,587	-
(Increase)/Decrease in other debtors	4,457,814	-
(Increase)/Decrease in reserves	-974,864	-
(Increase)/Decrease in creditors	1,551,086	-
(Increase)/Decrease in current proportions of long term liabilities	-8,407	-
(Increase)/Decrease in VAT	-1,884,150	-
Transfers to accumulated depreciation	-	-
Increase/ (Decrease) in Investments	135,345	-
Increase/ (Decrease) in provisions	-17,811,573	-
Increase/ (Decrease) in statutory funds	213,215	-
Increase/ (Decrease) in Long Term Liabilities	-	-
NET CASH FROM OPERATING ACTIVITIES	-162,383	9,796,170

MUTUBATUBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
21 CASH AND CASH EQUIVALENTS		
Balance at the end of the year	1,484,074	1,876
Balance at the beginning of the year	6,043,776	6,237
Net increase / (decrease) in cash or cash equivalents	<u>4,559,702</u>	<u>4,361</u>
22 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
Contributions to SALGA	-	-
Operating balance	45,489	-
Council subscriptions	-45,489	-
Amount paid current year	-	-
Amount paid previous year	-	-
TOTAL	<u>-</u>	<u>-</u>
23 Audit fees		
Opening balance	-	-
Current year	370,685	56,429
Amount paid current year	-370,685	56,429
Amount paid previous year	-	-
TOTAL	<u>-</u>	<u>-</u>
24 VAT		
VAT inputs receivable and VAT outputs receivable are shown in note 5. All VAT returns have been submitted by the due date throughout the year.		
25 PAYE and UIF		
Operating balance	1,058,878	-
Current year payroll deductions	-1,058,878	-
Amount paid	-	-
Amount paid previous year	-	-
BALANCE UNPAID	<u>-</u>	<u>-</u>
26 CHANGE IN ACCOUNTING POLICY - IMPLEMENTATION OF GAMAP		
The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GAMAP:-		
26.1 Statutory Funds		
Balance Previously Reported :-		
Capital Development Fund	7,719,737	
PIF Fund	18,332,798	
Housing Operating Fund	12,846,778	
Total	<u>38,899,313</u>	
Implementation of GAMAP		
Transferred to Accumulated Surplus/ (Deficit) (See 26.6 below)	38,899,313	
Total	<u>38,899,313</u>	

MTUBATUBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	<u>2007</u>	<u>2006</u>
	R	R
26.2 Loans Redeemed and Other Capital Receipts		
Balance Previously Reported :-		
Loans Redeemed	4,667,458	
Contributions From Operating Income	7,626,320	
Public Contributions	317,848	
Grants and Subsidies	16,703,257	
Total	<u>29,314,883</u>	<u>-</u>
Implementation of GAM/AP		
Transferred to Accumulated Surplus/ (Deficit) (See 26.6 below)	29,314,883	
Total	<u>29,314,883</u>	<u>-</u>
26.3 Housing Inventory		
Balance Previously Reported :-	<u>26,139,006</u>	<u>-</u>
Implementation of GAM/AP		
Transferred to Accumulated Surplus/ (Deficit) (See 26.6 below)	26,139,006	
Total	<u>26,139,006</u>	<u>-</u>
26.4 Property, Plant and Equipment		
Balance Previously Reported :-	<u>50,763,492</u>	<u>-</u>
Implementation of GAM/AP		
Infrastructure and Other Assets not correct recorded credited to	-32,438,068	
Accumulated Surplus/ (Deficit)	<u>-32,438,068</u>	<u>-</u>
Total	<u>R -</u>	<u>R -</u>
26.5 Accumulated Depreciation		
Balance Previously Reported :-	<u>-</u>	<u>-</u>
Implementation of GAM/AP		
Backlog Depreciation : Land and Buildings	-	
Backlog Depreciation : Infrastructure	-	
Backlog Depreciation : Community	-	
Backlog Depreciation : Other	-	
Backlog Depreciation : Housing Development Fund	-	
Total (Debited To Accumulated Surplus/ (Deficit) (See 26.6 Below	<u>-</u>	<u>-</u>
26.6 Accumulated Surplus/ (Deficit)		
Implementation of GAM/AP		
Transferred from Statutory Funds (See 26.1 above)	38,899,313	
Transferred from loans Redeemed and Other Capital Receipts (See	29,314,883	
Transferred from Housing Inventory (See 26.3 above)	26,139,006	
Fair Value of Property Plant and Equipment previously not correct)	-32,438,068	
Backlog depreciation (See 26.5 above)	-	
Total (Debited To Accumulated Surplus/ (Deficit) (See 26.6 Below	<u>61,915,134</u>	<u>-</u>

MTUBATUBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

28 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure

Approved and contracted for:

- Infrastructure
- Community
- Other

Approved but not yet contracted for:

- Infrastructure
- Community
- Other

TOTAL

This expenditure will be financed from:

- Asset Financing Reserves
- Government Grants

TOTAL

<u>2007</u>	
R	
-	
-	
-	
1,724,005	
<u>1,724,005</u>	
1,724,005	
-	
<u>1,724,005</u>	

29 REIMBURSEMENT INFORMATION

The Council's an Employees belong to the following pension funds:

1. Joint Municipal Pension Fund (Closed)
2. Municipal Gratuity Fund

3. SALA Pension Fund
4. Municipal Pension Fund
5. Councilor Pension Fund
6. Council's contributions are a benefit to the members and cannot be refunded to Council.
7. Council contributed an amount of R 1 140 243 to employees pension fund during 2006/2007.

"NO OBLIGATION BY COUNCIL IF FUND CANNOT PAY"

A pension is paid on retirement
 Council's and employee's are paid
 out on resignation or retirement
 A pension is paid on retirement
 A pension is paid on retirement
 A pension is paid on retirement

30 CONTINGENT LIABILITY

1. Claim lodged against Council by JH Look's v/a
 Wiebe Vols for security services rendered.
2. Claim lodged against council by the owner of Lot 1077
 Kwaansene for damage due to blocked drain systems of council.

31 FRUITLESS AND WASTEFUL EXPENDITURE

Municipality was targeted by a fraudulent
 scheme and the amount was paid out.

32 RISK MANAGEMENT AND RISK EXPOSURE

Deposits and all financial liabilities attract interest at a rate
 that varies with prime. Credit risk consist mainly of cash
 deposits, cash and cash equivalent and trade debtors.
 The municipality only deposit cash with banks with high
 quality credit standing. Trade receivables comprise of
 widespread customer base. Credit risk related to customers
 is evaluated on an ongoing basis.

33 EVENTS AFTER REPORTING DATE

There are no material events that took place after reporting date.

139,000	
-	

APPENDIX A

MTUBATUBA MUNICIPALITY

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2007

EXTERNAL LOANS	LOAN NUMBER	REDEEM- ABLE	BALANCE AT 30-Jun-06	RECEIVED DURING THE PERIOD	REDEEMED WRITTEN OFF DURING THE YEAR	BALANCE AT 30-Jun-07	CARRYING VALUE OF PROPERTY, PLANT AND EQUIPMENT	OTHER COSTS IN ACCOR- DANCE WITH MPMA
LONG TERM LOANS								
DBSA @17.13%	12380/102	40,543	271,219	-	42,351	228,868		
DBSA @8.16%	12381/102	43,281		263,973		263,973		
TOTAL EXTERNAL LOANS			271,219	263,973	42,351	492,841		-

APPENDIX B
MTUBATUBA MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED 30 JUNE 2007

	COST	ACCUMULATED DEPRECIATION						Carrying Value	Budget Additions
		Additions	Disposals/ Transfers	Closing Balance R	Opening Balance	Additions	Disposal		
									2007
LAND AND BUILDINGS		-	-	17,448,500	-	-	-	17,448,500	2,820,000
Land		-	-	16,246,500	-	-	-	16,246,500	-
Buildings		-	-	1,202,000	-	-	-	1,202,000	2,820,000
INFRASTRUCTURE		-	-	-	-	-	-	-	3,490,000
Stormwater									
Drains									3,385,000
Roads									105,000
Street Lighting									
COMMUNITY ASSETS		1,306,979	-	1,306,979	-	-	-	1,306,979	1,880,000
Parks and Gardens		-	-	-	-	-	-	-	-
Sportsfields									1,030,000
Community Halls									350,000
Library		1,306,979	-	1,306,979	-	-	-	1,306,979	500,000
Licences		-	-	-	-	-	-	-	-
Parks and Recreation		-	-	-	-	-	-	-	-
Council's General Account		-	-	-	-	-	-	-	-
Corporate Services		-	-	-	-	-	-	-	-
Financial Services		-	-	-	-	-	-	-	-
Town Hall		-	-	-	-	-	-	-	-
Traffic Protection Services		-	-	-	-	-	-	-	-
Local Economic Development		-	-	-	-	-	-	-	-
Mechanical Workshop		-	-	-	-	-	-	-	-
TOTAL CARRIED FORWARD		1,306,979	-	18,755,479	-	-	-	18,755,479	8,190,000

APPENDIX B
MTUBATUBA MUNICIPALITY

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED 30 JUNE 2007

	COST				ACCUMULATED DEPRECIATION				Carrying Value	Budget Additions 2007
	Opening Balance	Additions	Disposals/ Transfers	Closing Balance R	Opening Balance	Additions	Disposals	Closing Balance R		
TOTAL BROUGHT FORWARD	17,448,500	1,306,979	-	18,755,479	-	-	-	-	18,755,479	8,190,000
HERITAGE ASSETS	875,001	-	-	875,001	-	-	-	-	875,001	-
Historical Buildings										
Statues	875,001			875,001					875,001	
OTHER ASSETS	1,923	44,532	-	46,455	-	-	-	-	46,455	310,000
Landfill Sites	3			3					3	-
Office Equipment	1,870	13,612		15,482					15,482	-
Office Furniture & Fittings	-			-					-	-
Motor Vehicles	2			2					2	130,000
Fire Engines	1			1					1	-
Refuse Tankers	1			1					1	
Computer Equipment	-	30,920		30,920					30,920	
Security Measures	1			1					1	180,000
Plant & Equipment	45			45					45	
NET TOTAL	18,325,424	1,351,511	-	19,676,935	-	-	-	-	19,676,935	8,500,000

APPENDIX C

MTUBATUBA MUNICIPALITY

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

FOR THE YEAR ENDED 30 JUNE 2007

	COST	ACCUMULATED DEPRECIATION							Carrying Value	
		Additions	Under Construction	Disposals/ Transfers	Closing Balance	Opening Balance	Additions	Disposals		Closing Balance
Executive and Council				-	18,323,604					18,323,604
Finance and Admin.				-	191					191
Planning and					-					-
Development				-	-					-
Public Works					37					37
Community and Social		1,306,979			1,308,442					1,308,442
Services				-	-					-
Public Safety		44,532		-	44,650					44,650
Waste Management				-	11					11
Other				-	-					-
TOTAL		1,351,511	-	-	19,676,935	-	-	-	-	19,676,935

APPENDIX D
MTUBATUBA MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2007

2006			2007		
ACTUAL INCOME R	ACTUAL EXPENDITURE R	SURPLUS/ (DEFICIT) R	ACTUAL INCOME R	ACTUAL EXPENDITURE R	SURPLUS/ (DEFICIT) R
-	1,912,141	-1,912,141	1,741,362	2,965,918	-1,224,556
15,506,570	4,356,997	11,149,573	16,329,376	3,868,905	12,460,471
-	-	-	88,452	471,427	-382,975
77,650	5,274,152	-5,196,502	28,943	4,340,853	-4,311,910
230,379	1,394,608	-1,164,229	989,965	3,029,952	-2,039,987
1,702,512	2,271,650	-569,138	2,000,992	1,623,604	377,388
1,582,113	1,365,755	216,358	1,740,502	3,446,892	-1,706,390
-	-	-	-	-	-
-	-	-	-	-	-
19,099,224	16,575,303	2,523,921	22,919,592	19,747,551	3,172,041
-	-	-	-	-	-
-	-	-	-	-	-
19,099,224	16,575,303	2,523,921	22,919,592	19,747,551	3,172,041

APPENDIX E(1)

MTUBATUBA MUNICIPALITY

MTUBATUBA MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2007

	2007	2007	2007	2007	EXPLANATION OF SIGNIFICANT VARIANCES
	ACTUAL	BUDGET	VARIANCE	VARIANCE	GREATER THAN 10% VERSUS BUDGET
	R	R	R	%	
REVENUE					
Assessment Rates	8,434,329	8,594,538	-160,209	-2%	
Waste Management	1,737,752	1,749,760	-12,008	-1%	
National Government Grants and Subsidies	6,918,528	6,918,528	-	0%	
Provincial Government Grants and Subsidies	-	305,000	-305,000	-100%	
Interest earned - external investments	568,766	151,586	417,180	275%	
Other income	5,260,217	4,473,000	787,217	18%	
Gains on disposal of property, plant and equipment	-	-	-	0%	
TOTAL REVENUE	22,919,592	22,192,412	727,180	3%	
EXPENDITURE					
Employee Related Costs	10,271,079	10,861,790	-590,711	-5%	
Remuneration of Councillors	1,475,413	1,564,250	-88,837	-6%	
Depreciation	-	-	-	0%	
General Expenses	5,655,669	6,308,795	-653,126	-10%	
Repairs and Maintenance	1,239,987	1,540,000	-300,013	-19%	
Interest on External Borrowings	46,610	296,855	-250,245	-84%	
Contributions	254,168	254,168	-	0%	
Bad debts (provision)	-	-	-	0%	
Grants Expenditure	500,000	805,000	-305,000	-38%	
General expenses - other	304,625	538,382	-233,757	-43%	
TOTAL EXPENDITURE	19,747,551	22,169,240	-2,421,689	-11%	
NET SURPLUS (DEFICIT) FOR THE YEAR	3,172,041	23,172	3,148,869		

APPENDIX E(2)
MTUBATUBA MUNICIPALITY
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2007

	2007 ACTUAL	2007 UNDER CONSTRUC- TION	2007 TOTAL ADDITIONS	2007 BUDGET	2007 VARIANCE	2007 %
	R	R	R	R	R	
INFRASTRUCTURE	-	-	-	6,310,000	-6,310,000	-300%
Land & Building				2,820,000	-2,820,000	-100%
Roads, pavements, bridges & stormwater				3,385,000	-3,385,000	-100%
Street Lighting				105,000	-105,000	-100%
COMMUNITY ASSETS	1,306,979	-	1,306,979	1,880,000	-573,021	-200%
Sports fields	-	-	-	1,030,000	-1,030,000	-100%
Community Halls	-	-	-	350,000	-350,000	-100%
Libraries	1,306,979	-	1,306,979	500,000	806,979	161%
OTHER ASSETS	44,532	-	44,532	310,000	-265,468	0%
Other Motor Vehicles	-	-	-	130,000	-130,000	-100%
Security Measures	-	-	-	180,000	-180,000	-100%
Computer Equipment	30,920	-	30,920	-	30,920	100%
Office Equipment	13,612	-	13,612	-	13,612	100%
TOTAL	1,351,511	-	1,351,511	8,500,000	-7,148,489	

APPENDIX F

MTUBATUBA MUNICIPALITY

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERM OF SECTION 123 OF MFMA 96 OF 2003

NAME OF GRANT	NAME OF ORGAN OF STATE	QUARTERLY RECEIPTS				QUARTERLY EXPENDITURE				GRANTS AND SUBSIDIES DELAYED WITHHELD	REASON FOR DELAY/ WITHHOLDING OF FUNDS	COM PLIANCE WITH THE GRANT CONDITIONS IN TERM S OF GRANT FRAMEWORK	REASON FOR NON-COM PLIANCE
		SEPT.	DEC.	MARCH	JUNE	SEPT.	DEC.	MARCH	JUNE				
1 Disaster Oalm Low Cost Housing	PG	-	-	-	-	-	-	-	-	- N/A	N/A	YES	N/A
2 M A P Control	PG	-	-	-	-	142,224	111,931	105,089	211,584	N/A	N/A	YES	N/A
3 I D P Review	PG	-	-	-	-	-	14,062	73,849	116,703	N/A	N/A	YES	N/A
4 P M S	PG	-	-	-	-	-	-	-	-	- N/A	N/A	YES	N/A
5 Indigent Support	PG	-	-	-	-	-	-	-	-	- N/A	N/A	YES	N/A
6 Lums	PG	-	-	-	-	-	-	-	-	- N/A	N/A	YES	N/A
7 GIS	NG	-	-	-	-	-	-	-	-	- N/A	N/A	YES	N/A
8 Integrated Systems	PG	-	-	-	-	-	69,766	-	-	- N/A	N/A	YES	N/A
9 Finance Management Grant	NG	-	-	-	500,000	-	-	-	-	- N/A	N/A	YES	N/A
10 D C 27 Grant	PG	-	-	-	-	-	-	-	-	- N/A	N/A	YES	N/A
11 Unidentified Grants	PG	-	-	-	-	-	-	-	-	- N/A	N/A	YES	N/A
12 Library Service Fund	PG	-	-	1,031,449	-	489,802	563,012	508,926	212,042	N/A	N/A	YES	N/A
13 KwaZulu Natal Library Grant	PG	-	-	-	-	-	-	-	-	- N/A	N/A	YES	N/A
14 E- Learning	PG	-	-	-	-	-	-	-	-	- N/A	N/A	YES	N/A
15 Property Rates Act	NG	-	-	100,000	-	10,228	-	-	-	- N/A	N/A		
16 Inter Dept. Monitoring	NG	-	-	-	-	-	-	-	-	- N/A	N/A		
17 M F M A	NG	-	-	-	-	-	-	-	-	- N/A	N/A		
18 Int. Departmental Monitoring	PG	-	-	-	-	-	-	-	-	- N/A	N/A		
19 Comm / LED Outreach Fund	-	-	-	-	-	-	30,101	143,542	354,057	N/A	N/A		
20 Cultural Centre Grant	NG	-	-	-	-	-	18,180	8,910	9,530	N/A	N/A		
21 Umkhanyekude Grant	NG	-	-	-	-	-	-	-	-	- N/A	N/A		
		-	-	1,131,449	500,000	652,354	807,042	838,316	904,018	N/A	N/A	YES	N/A



4.2 Audit Report

REPORT OF THE AUDITOR-GENERAL TO THE MUNICIPAL COUNCIL AND THE KWAZULU-NATAL LEGISLATURE ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF MTUBATUBA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2007

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Mtubatuba Municipality which comprise the statement of financial position as at 30 June 2007, statement of financial performance, statement of changes in net assets, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 7 to 29.

Responsibility of the accounting officer for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with basis of accounting and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMFA). This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate accounting policies
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMFA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

6. An audit also includes evaluating the:
 - appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.

Responsibility of the Auditor-General (continued)

7. Paragraph 11 et seq. of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is still in the process of being developed, I have determined that my audit of any disclosures made by Mtubatuba Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.
8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of accounting

9. The municipality's policy is to prepare financial statements on the basis of accounting determined by the National Treasury as set out in accounting policy note 1.

Basis for qualified opinion

10. Receivables

Provision for bad debt

Total debtors have increased from R16,2 million to R17,9 million (10,5%) in the period under review. Despite this, the provision for doubtful debts has remained at R10,5 million. Therefore I was unable to assess the adequacy of the provision for doubtful debts.

In addition, accuracy of the debtors ageing could not be determined as the municipality's current application system does not record receipts in the correct ageing category.

Because of the above, I was unable to determine the adequacy of the provision for doubtful debtors.

11. Property, plant and equipment

During the year under review Mtubatuba Municipality compiled a fixed asset register and accounted for their assets purchased during the year at cost. Prior to this date, no records and supporting documentation relating to these were

maintained and thus the purchase costs and purchase dates for the majority of these assets could not be ascertained. The majority of the assets have been included at a net book value of R1, apart from land and buildings that amounts to R17,4 million.

In addition, the municipality did not disclose the exemption granted in Gazette 30013 in respect of depreciation, review of useful lives and testing for impairment as well as the transitional provisions in terms of GAMAP 17.

Because of the above, I was unable to determine the accuracy of opening balances of R18,3 million for property, plant and equipment.

12. Borrowings

The municipality has not accounted for a loan received amounting to R1,3 million in its financial statements resulting in long term liabilities being understated at 30 June 2007 by this amount.

13. Funds not received

The municipality has raised a liability in respect of loan funds that are still to be received as reflected in the financial statements. In addition, they have incorrectly raised a receivable for the funds to be received as reflected in the financial statements. This has resulted in both the debtors and long term liabilities being overstated by R263 973.

14. ...Accumulated Surplus

The municipality was unable to provide us with supporting documentation for the adjustment amounting to R7,1 million as disclosed in the statement of changes in net assets in respect of prior year transactions and GAMAP conversion entries.

Furthermore, the municipality adopted GAMAP during the period under review. However, the change in accounting policy has not been applied retrospectively as required by GRAP 3.

Consequently, I was unable to determine the accuracy, validity and completeness of the adjustments as disclosed in the statement of changes in net assets amounting to R7,1 million in respect of prior year transactions and GAMAP conversion entries.

15. Capitalisation reserve

I was unable to verify the accuracy and validity of the opening capitalisation reserve of R18,3 million. This should have been R21,4 million which is equivalent to the prior year closing balance for property, plant and equipment. The resulting difference of R3,1 million could not be explained by management.

16. Pre-GAMAP reserves

I was unable to verify the accuracy and validity of the R50,8 million written off as pre-GAMAP reserves in the statement of changes in net assets whilst an inspection of the comparative figure in the statement of financial position revealed an amount of R38,9 million relating to total reserves.

Furthermore, the total of R61,9 million as disclosed in note 26 of the financial statements does not agree to the total of the R50,8 million written off as pre-GAMAP reserves in the statement of changes in net assets.

Because of the above, I was unable to determine the accuracy and completeness of the pre-GAMAP reserves written-off in the statement of changes in net assets and note 26.

Qualified opinion

17. In my opinion, except for the effects of the matters described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Mtubatuba Municipality as at 30 June 2007 and its financial performance and cash flows for the year then ended, in accordance with basis of accounting and in the manner required by the MFMA.

OTHER MATTERS

I draw attention to the following matters that are ancillary to my responsibility in the audit of the financial statements:

Non-compliance with applicable legislation

Municipal Finance Management Act

18. The performance of the municipality for the first half of the financial year was not assessed by the accounting officer in terms of section 72 of the MFMA.
19. The mayor has not tabled, in the municipal council, the annual report of the municipality for the 2005/06 financial year within 7 months after the end of the that financial year in terms of section 127(20) of the MFMA.
20. During the audit I observed that the SCM Organogram has not yet been finalised. There is only one person performing SCM duties, therefore there is no effective segregation of duties to minimise the likelihood of fraud, corruption, favouritism and irregular practices and there are no specific delegations, which is in contradiction to section 115(1)(b) of the MFMA. Furthermore, the bid committee members have not yet been appointed.
21. Output VAI was not accounted for on rental income earned. The impact of this was an understatement of VAT of R10 277.

Value for money matters

22. During the current financial year the municipality has actually spent R263 973 on infrastructure development, which is only 4% of the total budgeted

infrastructure development costs amounting to R6 310 000, which affects the service delivery.

Internal control

23. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes of the matters indicated, as they relate to the five components of internal control. In some instances deficiencies exist in more than one internal control component.

Receivables			X		
Property, Plant and Equipment			X		
Borrowings			X		
Funds not received			X		
Accumulated funds			X		
Capitalisation on reserves			X		
Pre-GAMAP reserves			X		
Non-compliance with applicable legislation			X		
Value for money matters			X		

Unaudited supplementary schedules

24. The supplementary schedules on pages 30 to 37 do not form part of the financial statement and is presented as additional information. I have not audited these schedules and accordingly do not express an opinion on them.

OTHER REPORTING RESPONSIBILITIES

Reporting on performance information

25. I was engaged to audit the performance information.

Responsibility of the accounting officer for the performance information

26. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000)(MSA). The municipality has not presented this information for audit.

Responsibility of the Auditor-General

27. I conducted my engagement in accordance with section 13 of the PAA read with General Notice 646 of 2007, issued in Government Gazette No.29919 of 25 May 2007 and section 45 of the MSA.
28. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
29. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

Audit findings (performance information)

30. Content of Integrated Development Plan

The key performance indicators set by the Mtubatuba Municipality did not include any general key performance indicators or refer to a specific key performance indicator applicable to the municipality, as prescribed in terms of section 43(1) of the MSA. Furthermore management has not implemented a performance measurement system as required by the Act we were therefore unable to perform an assessment of the objectives met in terms of the Integrated Development Plan.

31. No reporting of performance information

The annual report of the Mtubatuba Municipality did not include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the MSA, as required by section 121(3)(c) of the MFMA.

32. Auditing of performance measurement

The Mtubatuba municipality did not develop and implement mechanisms, systems and processes for auditing the results of performance measurement as part of its internal auditing processes as required in terms of section 45 of the MSA.

APPRECIATION

33. The assistance rendered by the staff of the Mubabuba Municipality during the audit is sincerely appreciated.

PIETERMARIZBURG

15 April 2008





AUDITOR-GENERAL






4.3 Management Strategy to address Audit Report.







Legends: 1. Resolved



2. Outstanding

3. Unresolved

No.	Reference	Issue	Detailed Audit Query	Planned management interventions	Progress Report	Status
10.	Receivables	Provisions for Bad Debts	<p>Total debtors have increased from R16,2 million to R17,9 million (10,5%) in the period under review. Despite this, the provision for doubtful debts has remained at R10,5 million. Therefore I was unable to assess the adequacy of the provision for doubtful debts.</p> <p>In addition, accuracy of the debtors ageing could not be determined as the municipality's current application system does not record receipts in the correct ageing category.</p> <p>Because of the above, I was unable to determine the adequacy of the provision for doubtful debtors.</p>	<ul style="list-style-type: none"> Management is of the opinion that the provision is sufficient as the municipality have security over the property in respect of rates owing. Also note that the majority of the debtors is attributable to rates (82%). A service provider has been appointed to perform a debt collection and data cleansing exercise. The aim is to provide for provision for all debtors exceeding over 120 days. 	<ul style="list-style-type: none"> The provision will be increased in 2007/2008 to R3,5 million. The issues has since been resolved. 	
11.	Property, plant and equipment	Property, plant and equipment	<p>During the year under review Mtubatuba Municipality compiled a fixed asset register and accounted for their assets purchased during the year at cost. Prior to this date, no records and supporting documentation relating to these were maintained and thus the purchase costs and purchase dates for the majority of these assets could not be ascertained. The majority of the assets have been included at a net book value of R1, apart from land and buildings that amounts to R17,4 million.</p> <p>In addition, the municipality did not disclose the exemption granted in Gazette 30013 in respect of depreciation, review of useful lives and testing for impairment as well as the transitional provisions in terms of GAMAP 17.</p> <p>Because of the above, I was unable to determine the accuracy of opening balances of R18,3 million for property, plant and equipment.</p>	<ul style="list-style-type: none"> Management is aware of the assets not being depreciated. Assets will be depreciated from the 2007/2008 financial year and it has been budgeted for. An asset management policy was approved by council to specify the treatment of fixed assets, and the detail of all new/future assets will be included in the asset register including the source of finance. The provisions of GAMAP 17 will be implemented in future years. 	<ul style="list-style-type: none"> In terms of the exemptions issued in government Gazette 30013 dated 29 June 2007 it was not a requirement to revalue assets on 30 June 2007. 	

12.	Borrowings	Borrowings	The municipality has not accounted for a loan received amounting to R1.3 million in its financial statements resulting in long term liabilities being understated at 30 June 2007 by this amount.	<ul style="list-style-type: none"> In terms of the section 12 notice, the transfer of functions and powers, including D85A loan has been transferred to Umkhanyokude District municipality (DC27). DC27 did accept responsibility for the loan and will pay all outstanding amounts as from 1 July 2003. 	<ul style="list-style-type: none"> the final transfer will take place in 2007/2008 financial year. 	
13.	Funds not received	Funds not received	The municipality has raised a liability in respect of loan funds that are still to be received as reflected in the financial statements. In addition, they have incorrectly raised a receivable for the funds to be received as reflected in the financial statements. This has resulted in both the debtors and long term liabilities being overstated by R263 973.	<ul style="list-style-type: none"> there is no financial impact and is only a reporting matter. The reporting of this loan will be accounted for per discussion in coming financial year. 	<ul style="list-style-type: none"> The loan funding has subsequently being received. 	
14.	Accumulated Surplus	Accumulated Surplus	The municipality was unable to provide us with supporting documentation for the adjustment amounting to R7.1 million as disclosed in the statement of changes in net assets in respect of prior year transactions and GAMAP conversion entries. Furthermore, the municipality adopted GAMAP during the period under review. However, the change in accounting policy has not been applied retrospectively as required by GRAP 3. Consequently, I was unable to determine the accuracy, validity and completeness of the adjustments as disclosed in the statement of changes in net assets amounting to R7.1 million in respect of prior year transactions and GAMAP conversion entries.	<ul style="list-style-type: none"> It is noted. It was decided to implement GAMAP prospectively and there is no value-added in restating previous years comparatives 	<ul style="list-style-type: none"> This will not be an issue in future as it is a result of conversion from IMFO to GAMAP standards. 	
15.	Capitalization Reserve	Capitalization Reserve	I was unable to verify the accuracy and validity of the opening capitalisation reserve of R18.3 million. This should have been R21.4 million which is equivalent to the prior year closing balance for property, plant and equipment. The resulting difference of R3.1 million could not be explained by management.	<ul style="list-style-type: none"> The accuracy of R18 325 429 have been verified by the auditors during the audit and this amount represent the asset finances from reserves in terms of GAMAP and the new assets register 	<ul style="list-style-type: none"> No action required 	
16.	Pre-Gamap Reserve	Pre-Gamap Reserve	I was unable to verify the accuracy and validity of the R50.8 million written off as pre-GAMAP reserves in the statement of changes in net assets whilst an inspection of the comparative figure in the statement of financial position revealed an amount of R38.9 million relating to total reserves. Furthermore, the total of R61.9 million as disclosed in note 26 of the financial	<ul style="list-style-type: none"> The amount of R50.8 million represent the balance of assets on 30 June 2006 and not reserves. The amount of R38.9 million represent the balance of reserves on 30 June 2006. Therefore notes 26.1 up to 26.3 explain what happened in not 26.6 regarding 	<ul style="list-style-type: none"> No action required. 	

			<p>statements does not agree to the total of the R50.8 million written off as pre-GAMAP reserves in the statement of changes in net assets.</p> <p>Because of the above, I was unable to determine the accuracy and completeness of the pre-GAMAP reserves written-off in the statement of changes in net assets and note 26.</p>	<p>the amount of R61.9 million which include the net amount of assets according to the asset register and also the amounts that have been written back in regard of LRAOQR and therefore it is not possible that it will balance with prior years.</p>		
18.	Other Matters	MFMA	<p>The performance of the municipality for the first half of the financial year was not assessed by the accounting officer in terms of section 72 of the MFMA.</p>	<ul style="list-style-type: none"> Due to the absence of the Municipal Manager or a person acting in that position it was not possible to submit reports to council. 	<ul style="list-style-type: none"> None 	
19.	Other Matters	MFMA	<p>The mayor has not tabled, in the municipal council, the annual report of the municipality for the 2005/06 financial year within 7 months after the end of the that financial year in terms of section 127(20) of the MFMA.</p>	<ul style="list-style-type: none"> Mtubatuba as low capacity municipality was not liable for preparing and submitting an annual report for 2005/6 in terms of the exemptions of the MFMA. 	<ul style="list-style-type: none"> No action required. 	
20.	Other Matters	MFMA	<p>During the audit I observed that the SCM Organogram has not yet been finalised. There is only one person performing SCM duties, therefore there is no effective segregation of duties to minimise the likelihood of fraud, corruption, favouritism and irregular practices and there are no specific delegations, which is in contradiction to section 115(1)(b) of the MFMA. Furthermore, the bid committee members have not yet been appointed.</p>	<ul style="list-style-type: none"> It is noted. 	<ul style="list-style-type: none"> The SCM policy was approved by council. Segregation of duties were done accordingly within the available staff components. 	
21.	Other Matters	MFMA	<p>Output VAT was not accounted for on rental income earned. The impact of this was an understatement of VAT of R10 277.</p>	<ul style="list-style-type: none"> Will be recovered 	<ul style="list-style-type: none"> The amount was subsequently recovered 	
22.		Value for money	<p>During the current financial year the municipality has actually spent R263 973 on infrastructure development, which is only 4% of the total budgeted infrastructure development costs amounting to R6 310 000, which affects the service delivery.</p>	<ul style="list-style-type: none"> Due to lack of cash available during the financial year capital projects could not be commenced. 	<ul style="list-style-type: none"> No progress made in terms of projects. 	
23.		Internal Controls	<p>Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes of the matters indicated, as they relate to the</p>	<ul style="list-style-type: none"> This is noted. 	<ul style="list-style-type: none"> Steps are in place to rectify the shortcomings. 	

			five components of internal control, in some instances deficiencies exist in more than one internal control component.			
24.			The supplementary schedules on pages 30 to 37 do not form part of the financial statement and is presented as additional information. I have not audited these schedules and accordingly do not express an opinion on them.	<ul style="list-style-type: none"> No comment required. 	<ul style="list-style-type: none"> No comment required. 	
30.			The key performance indicators set by the Mtubatuba Municipality did not include any general key performance indicators or refer to a specific key performance indicator applicable to the municipality, as prescribed in terms of section 43(1) of the MSA. Furthermore management has not implemented a performance measurement system as required by the Act we were therefore unable to perform an assessment of the objectives met in terms of the Integrated Development Plan.	<ul style="list-style-type: none"> The IDP was approved by council and the KPI's and general performance indicators forms part of the IDP. 		
31.			The annual report of the Mtubatuba Municipality did not include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the MSA, as required by section 121(3)(c) of the MFMA.	<ul style="list-style-type: none"> As low capacity municipality it was not a requirement to prepare and approve an annual report for 2005/2006 financial year. 	<ul style="list-style-type: none"> No action required. 	
32.			The Mtubatuba municipality did not develop and implement mechanisms, systems and processes for auditing the results of performance measurement as part of its internal auditing processes as required in terms of section 45 of the MSA.	<ul style="list-style-type: none"> A service provider was 	<ul style="list-style-type: none"> A service provider was appointed to assist with adherence to this requirement. 	

(Source: Office of the Auditor General's audit report for Mtubatuba Municipality)

4.4 Budget to Actual Comparisons

4.4.1 Operating Budget

The operating budget variances for the 2006/2007 year are as follows:

(Source: 2007 AFS, Appendix D)

Comment:

Executive and Council and Planning and development spent just above 65% of their budget whilst the Waste Management overspent by 13% on their budget.

4.4.2 Capital Budget

Capital budget variance for the 2006/2007 year is as follows:

Category	2006/2007 Budget	2006/2007 Actual	2006/2007 Variance	2006/2007 % Variance
Infrastructure	1,400,000.00	1,206,676.00	193,324.00	13.8%
Community Assets	1,400,000.00	1,206,676.00	193,324.00	13.8%
Other Assets	310,000.00	44,532.00	265,468.00	85.6%

(Source: 2007 AFS, Appendix E(2))

Comment:

The municipality did not spend on Infrastructure capital budget due to non-availability of actual cash resources.

4.5 2006/2007 Grants Received and Spent

The schedule of received and spent grants is as follows:

Disaster Claim Low Cost Housing	150,000	-	-	-	-	-	150,000
M A P Control	556,959	-	220,865	-	-570,828	-	156,936
U D P Review	330,107	-	29,978	-	-204,804	-	50,281
P M S	286,000	-	-	-	-	-	286,000
Indigent Support	35,730	-	-	-	-	-	35,730
Lums	300,000	-	-	-	-	-	300,000
G I S	70,000	-	-	-	-	-	70,000
Integrated Systems	34,517	-	35,249	-	-69,766	-	69,766
Finance Management Grant	196,022	500,000	250,000	-	-	-	500,022
B C 27 Grant	30,000	-	-	-	-	-	30,000
Unidentified Grants	250,000	-	-250,000	-	-	-	250,000
Library Service Fund	1,088,620	1,031,449	308,068	-	-1,781,882	-	640,895
Keweenaw Library Grant	8,918	-	-	-	-	-	8,918
E - Learning	150,000	-	-	-	-	-	150,000
Property Rates Act	63,125	1,256	100,000	-	-10,228	-	154,153
Inter Dept Monitoring	60,000	-	-	-	-	-	60,000
M F M A	245,000	-	-	-	-	-	245,000
rd Departmental Monitoring	184,000	-	-	-	-	-	184,000
Comm / L E D Outreach Fund	527,700	-	-	-	-527,700	-	527,700
Cultural Centre Grant	58,182	-	-	-	-36,720	-	94,902
Unkanyakude Grant	453,604	-	-	-	-	-	453,604

[Source: 2006/7 AFS_Note 4]

Comment:

The municipality commits itself to speed up the spending of unspent grants amounting to R4 082 597.

5.1 FINANCIAL & CORPORATE SERVICES DEPARTMENT

5.1.1 Overview

The Finance department is responsible for all activities relating to the finance management function including payroll administration and supply chain management. This directorate is responsible for the preparation of all committee meeting. The department has to maintain all records pertaining to the committee meetings digitally and otherwise. The overall record keeping of the correspondence flowing from within and outside the municipality is the other crucial responsibility of this department. The department also has the responsibility to ensure that both employees and prospective employees work under proper working conditions and are capacitated to carry their responsibilities. The department ensures that the employees are handled in an accepted manner.

Description of the activity

The municipality does not render any trading services at the moment; therefore the Finance department within the municipality performs the following functions:

- Preparation of the annual financial statements
- Compilation of the annual budget
- Management of cash and bank
- Management of fixed assets
- Payroll administration
- Supply chain management
- Income and expenditure
- To ensure all departments has human resources to carry their mandate within the municipality.
- To ensure that all employees employed have adequate and relevant knowledge of work necessary to be performed.
- To ensure that all human resources legislations are complied with.
- To ensure that all employees are properly trained to do their duties.
- To ensure that there is performance measures in place to measure the performance of all employees within the municipality.
- To ensure that all records are properly maintained and managed.

5.1.2 2006/7 TARGETS

Targets for 2006/2007 financial year were as follows:

- Preparation of the AFS in GRAP Format
- Timely submission of the financial statements
- At least 50% of grant monies spent.
- Unqualified audit report
- Controlling and monitoring of both capital & operating budget expenditure.
- Appointment of the new Municipal Manager.
- Planning for the establishment of corporate services department.
- Filling of other vacant positions
- Completion of the Workplace Skills Plan

5.1.3 2006/7 ACHIEVEMENTS

Achievements for 2006/2007 financial year were as follows:

- Preparation of the AFS in GRAP Format
- Timely submission of the financial statements
- 43% of Grants were spent.
- Auditor's General's report was unqualified.
- The municipality did not overspend of both operating and capital budget.
- Successful appointment of the new Municipal Manager.
- Plan was established to develop a new corporate services department.
- Six posts were filled during the period.
- Workplace skills plan completed successfully.

5.2 PLANNING & INFRASTRUCTURE SERVICES

5.2.1 Overview

The Infrastructure and Technical Services Directorate is responsible for the implementation of infrastructure projects through the following key functions:

- Municipal Infrastructure Grant
- Sports & Recreation Facilities
- Equitable Share Funded Projects
- Public Libraries
- Coordination of external infrastructure programmes

Description of Activities

The function of the Infrastructure and Technical Services within the municipality is administered as follows and includes:

- Construction of Access Roads
- Construction of Access Bridges
- Construction of Sports facilities
- Building of Community Facilities
- Building of Public Library
- Coordination and attending to Electricity Programmes
- Coordination and attending to Water and Sanitation Programme
- Coordination and attending to DOT roads
- Responsible for Waste Management

The Strategic Objectives of these functions are to:

- To improve quality of the Municipal Roads that link primary and secondary nodes
- To ensure the provision of Sports facilities at strategic areas for sustainability and to improve social life of the community
- To ensure the equitable provision of community halls and Development centres in strategic areas to improve social life of the community.
- To ensure for the existence of Waste Management Policy
- To increase number of House Holds benefiting from electricity in a near future
- To increase number of House Holds benefiting from Water Supply in a near future

5.2.2 2006/7 Targets

Targets for 2006/2007 financial year were as follows:

- Implementation of all infrastructural projects planned for 2006/2007 year.
- Erection of the municipal library.
- Erection/improvement of a community hall.
- Erection of sport fields within the Municipality.
- Extensions and renovations to municipal administration building.
- Erection and repair of roads, pavements, bridges and storm water.
- All plans submitted to be approved and processed by the department.

5.2.3 2006/7 Achievements

- The library was erected but could not be fully functional during the financial year.
- No community hall were erected/ repaired during the period due to lack of grant funding resources.
- Sport fields were not erected due to lack of financial resources.
- Although the plans were approved for municipal building but was not erected during the period due to limited financial resources.
- Street lights were neither repaired nor added.
- Roads, pavements, bridges and storm water could not be performed due to limited financial resources.

5.3 COMMUNITY SERVICES

5.3.1 Overview

The community services department is responsible for the all outreach programmes implementation to the community. These outreach programmes includes the following:

- HIV/AIDS programmes
- Facilitation of sports and recreation programmes

Description of Activities

The function of the Infrastructure and Technical Services within the municipality is administered as follows and includes:

- Implementation of HIV/AIDS programmes
- Smooth functioning of libraries
- Waste collection and town cleanliness.
- Planning of municipal functions and events
- Ensuring that all community facilities are maintained
- Sports and recreation programmes of the municipality
- Smooth functioning of the motor vehicle & learners license section.

5.3.2 2006/7 Targets

Targets for 2006/2007 financial year were as follows:

- The opening and fully operational library.
- Waste collection in the Town
- Sports and recreation meeting taking place
- Implementation of HIV/AIDS awareness campaigns
- Halls and municipal sport fields were maintained and managed better during the 2006/2007 financial period.

5.3.3 2006/7 Achievements

Achievements for 2006/2007 financial year were as follows:

- The library could not be functional during 2006/7 financial year due to late completion.
- Waste was collected in the town.
- All planned sports and recreational events took place.
- HIV/AIDS Programmes were implemented during the period.